

TO: ALA BARC/ F&A

RE: ALA Publishing

ACTION REQUESTED/INFORMATION/REPORT:

This September-November 2019 report highlights the financial results for the first quarter of FY20 for ALA Publishing, offering some specifics by business unit. The specifics include key indicators, highlights, opportunities, and challenges as we look to long-term growth.

ACTION REQUESTED BY: Mary Mackay, AED Publishing

CONTACT PERSON: Mary Mackay, 312-280-1532, mmackay@ala.org

DRAFT OF MOTION: None requested

DATE: January 7, 2020

BACKGROUND: Progress and challenges in the ALA Publishing department and its six business units in the first quarter of FY20 and how it positions us for the rest of FY20—including perceived opportunities and challenges.

AVAILABILITY: No restrictions

ATTACHMENTS: None

ALA PUBLISHING SEPTEMBER-NOVEMBER 2019

ALA Publishing Performance Summary September 2019-November 2019

All units	FY20 performance report as of 11/30/19	\$ and % Variance Actual/Budget	FY20 full-year budget
Total Revenues	\$2,663,087	-\$24,545/ -1%	\$10,950,816
Total Expenses minus overhead	\$1,944,137	-\$55,990/ -3%	\$8,481,325
Overhead	\$705,718	\$6,504/ 1%	\$2,901,967
Net Revenue	\$136,745	-\$50,508/ -27%	\$28,419

Variations, implications and prospects for the remainder of FY20

- ALA Publishing overall is tracking close to FY20 revenue goals YTD.
- The revenue results are supported largely by ALA Editions/Neal-Schuman's strong Q1 which came in 20% or \$141,000 above budget. (This was partly the predicted result of books that did not land in FY19.) Increased revenue led to added related expenses, but the unit's net revenue was still 23% above Q1 budget. Editions/Neal-Schuman has published 17 books in Q1 putting the unit on track to publish about 60-65 books in FY20, including new editions of extremely successful textbooks and new titles in the

AASL/ALA Editions collaboration supporting the AASL Standards. The first book in that collaboration has been Editions' top-seller since its mid-FY19 publication. The unit is on track to continue its FY20 work smoothly despite the recent departure of the Publisher, Chris Murphy, and the expected 3-4 months' gap until a new Publisher is in place.

- Booklist revenue and expenses are tracking closely to budget, important for the biggest unit in Publishing. Advertising will face pressure in Q2, but higher advertising sales for special promotions such as Women in Focus, Graphic Novels and Middle Grade Mania in Q3 and Q4 will help to offset potential losses. A revenue-generating podcast series, The Shelf Care Interview, launched and sold two in Q1 with more booked throughout FY20. Booklist will test repackaging/reselling selected content by developing an exciting new patron-facing product to launch in early FY21, with financial support requested from the ALA Endowment Trustees. Booklist is also in discussions to acquire a product that is likely a strategic fit with Booklist and ALA.
- Resource Description and Access subscription renewal rate is running approximately 15% short of projection, accounting for the subscription revenue shortfall. The full release of the 3R updates should prompt increased renewals and new subscriptions in 2020, while regional plans will drive adoption which is the necessary condition underpinning subscription activity. The departure of the marketing manager in Q1 has left the unit under capacity in operational areas but it expects to get back on track in Q2.
- ALA Graphics topline sales are 32% behind YTD budget, while royalty revenue is \$2,000 better than budget. Expenses for the unit are more than 7% under budget. The unit has stopped offering discounted kits due to the expense of shipping posters separate from bookmarks, creating top line revenue that was not covered by the increased expenses. Efforts to turn sales around include increased personal outreach to customers likely to place larger orders, royalty revenue via the launch of Graphics new ancillary Gift Shop on Spreadshirt.com in mid-November, and a promising line-up of products in the Spring catalog including new materials for Women's History Month and Black History Month.
- eLearning Solutions sales are 34% below budget, related partly to timing, with the expectation of reducing or closing the gap in Q2. Some courses and workshops underperformed expectations, and the launch of RDA orientation workshops that would have been a major driver of Q1 revenue this quarter was delayed due to technical issues with the ALA eStore.
- American Libraries revenue was 11% less than YTD budget due to weaker gross advertising sales (specifically AL Direct and the Special Deliveries sponsored email program, which remains volatile year to year) and JobLIST classified ad sales, trailing due to a slower jobs market. Print advertising sales are on budget and AmericanLibraries.org has already tripled its FY20 revenue goal (\$91,350 actuals through 8/31/20 against a budget of \$30,000).
- Booklist and American Libraries have offered a joint advertising/sponsored-content proposal to Gale. By leveraging and combining resources, the two units together offer a compelling advertising option that gives advertisers wider reach than any competitors. This is part of Publishing's ongoing effort to partner strategically across ALA to expand scope and scale, and leverage the unique competitive advantage of being part of ALA.
- Software introduced early in FY20 that will support efficiency and sales growth includes: Onixsuite to automate metadata functions for books; Salesforce software to help organize outreach to our largest current and prospective customers (limited use as part of ALA pilot); GovSpend cloud service that offers business intelligence and leads to help expand bulk sales to local, state, and federal government procurement offices.
- The continued consolidation of companies in the library technology industry is of long-term concern for advertising and sponsorship, particularly with the recent acquisitions of OverDrive and Innovative Interfaces, two growing American Libraries newer/returned advertisers.
- Expense-saving steps in Q1 included Booklist bringing cover design in-house and ending a long-term contractual agreement in favor of more cost-effective freelance work, and ALA Graphics testing a smaller print catalog (8 pages instead of 32), sent to fewer customers.

For background reference regarding FY19 percentages of revenue by Publishing unit:

